

CANADIAN GOLDEN DRAGON RESOURCES LTD MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis is for the years ended April 30, 2006 compared with the year ended April 30, 2005. This information is current to August 22, 2006 and has not been reviewed by the Company's auditors. Additional information on the Company is available on SEDAR at www.sedar.com.

Nature of Business of the Company

The company is engaged in the acquisition, exploration and if warranted, development of mining properties in Canada. The Company currently holds interests in resource properties primarily located in Ontario and intends to seek out and acquire additional properties, worthy of exploration and development, as finances permit. The exploration and development of the properties is accomplished either through direct expenditure by the Company or joint venturing of the property to another company. (See section (1) in the Notes to the Financial Statements.)

Description of the Operation and Financial Condition

During the year ended April 30, 2006 the Company:

- ? Incurred net expenditures of \$422,898 on the acquisition, exploration and development of its mineral properties as compared to \$260,934 in the fiscal year 2005;
- ? Wrote-off \$29,560 in mineral properties and \$75,000 for the ExtrEI Technology, as compared to \$19,307 in the fiscal year 2005;
- ? Incurred a net loss of \$307,568 in the fiscal year 2006 (excluding the write-off for mineral properties, write-off for technology development and credit for option payments), as compared to \$371,808 (excluding the write-off for mineral properties and credit for option payments) in the fiscal year 2005 and had working capital of \$340,281 compared to a working capital deficiency of \$196,366 in the fiscal year 2005.

The Company maintained the existing consulting contract with its exploration manager for \$3000 per month or \$36,000 per year in the fiscal year 2006 (\$36,000 for 2005). General exploration expenses were \$nil (\$nil for 2005), which relate to geological/geophysical work performed on behalf of the Company, which did not result in an actual property acquisition. Management fees of \$5000 per month are unchanged and payable to a private corporation controlled by the president of the Company, for management and office expenses totaling \$60,000 for the fiscal year 2006 (\$60,000 for 2005). Office and administration costs were lower at \$32,751 (\$49,311 for 2005) reflecting a downsizing of our office in Vancouver and other cost cutting measures. Legal and accounting costs were \$16,991 for the fiscal year 2006 (\$33,456 for 2005). Consulting fees were reduced to \$23,203 (\$81,032 in 2005).

During the fiscal year ended April 30, 2006 a total of 11,723,333 shares (4,528,571 in 2005) were issued pursuant to private placement offerings for total gross proceeds of \$1,134,990 (\$592,250 in 2005), zero common shares (50,000 in 2005) were issued pursuant to the exercise of share purchase warrants for gross proceeds of zero (\$7,500 in 2005) and again zero common shares (zero in 2005) were issued pursuant to the exercise of stock options for gross proceeds of zero (zero in 2005). There were no proceeds from option payments in 2006 (\$50,000 in 2005).

The company made no significant acquisitions or dispositions of property (i.e. "significant" being properties where the book value of such a property in the company's financial statements is worth more than 10% of the company's total properties) during the April 2006 fiscal year.

During the fiscal year 2006 the Company incurred zero in exploration expenditures on the Seagull-Disraeli Joint Venture with East West Resource Corp., as the property was the subject of an option agreement with Platinum Group Metals Ltd. ("PTM"). PTM had the right to earn an initial 50% property interest by completing \$7.5 million in exploration expenditures and cash payments of \$750,000 staged over 5 years. The initial \$250,000 in required work is a firm commitment, as is the initial \$75,000 payment. PTM can earn an additional 10% property interest

by completing a bankable feasibility study for the property and may then earn a further 10% property interest by providing or arranging production financing. PTM made its initial option payment of \$75,000, spent \$767,775.88 on the property and returned it to the partners on March 29, 2006. On April 28, 2006 the partners announced a joint \$480,000 exploration program on the property.

Exploration expenditures of \$5,867 were incurred on the Tilly Property in Shebandowan. After review of the work to date, the Company elected to return that part of the property covered by the original option agreement to the underlying vendors.

On the Vanguard Property exploration expenses totaling \$186,292 (\$112,043 for 2005) were incurred. An additional \$50,000 (\$41,510 in 2005) represented the final option payment on the property. The main difference from the previous year was a reduction in geophysics expenditures to \$67,581 (\$93,872 in 2005) and an increase in drilling to \$94,099 (\$3,245 in 2005) because of a program initiated over a gold-bearing shear zone.

In January of 2005 the Company optioned the 26 claim unit Dorothy Lake Property west of Pickle Lake. In the 2006 fiscal year the Company incurred exploration expenditures of \$16,108 (nil in 2005) for an airborne geophysical survey and further acquisition costs of \$31,600 (\$48,956 in 2005) representing option payments and shares to the underlying property owner.

On September 1, 2006 the Company announced the acquisition of a second nearby Pickle Lake Gold Property called Dobie Lake. The property hosts 50,000 ounces of gold according to historical figures. Consideration for acquisition of the property consists of option payments totalling \$70,000 cash (\$15,000 paid) in stages over a five-year period plus advance royalty cash payments after the sixth anniversary totalling \$150,000 and the issuance of 200,000 common shares upon regulatory approval, payable in four tranches of 50,000 common shares in stages over an 18-month period. A 2 per cent net smelter return is retained by the optionor, of which 1 per cent may be purchased by the company at any time for \$1-million with the remaining 1 per cent being subject to a right of first refusal. Sufficient exploration expenditures must be incurred to maintain the property in good standing.

On April 19, 2006 the Company announced the acquisition of a third Pickle Lake Property, Kasagiminnis Lake, with a historical reserve estimated to be 400,000 ounces of gold. Consideration for acquisition of the property consists of option payments totalling \$150,000 cash (\$30,000 paid) in stages over a four-year period. A 2 per cent net smelter return is retained by the optionor, of which 1 per cent may be purchased by the company at any time for \$1-million with the remaining 1 per cent being subject to a right of first refusal. Sufficient exploration expenditures must be incurred to maintain the property in good standing.

In January of 2005 the Company optioned the 15 claim unit Elephant Lake Property adjacent to our existing Tilly Property in Shebandowan. During the year exploration expenditures of \$40,884 (nil in 2005) for drilling and \$15,870 for geophysics (nil in 2005) were incurred.

Contiguous to the Shebandowan-Vanguard Property the Company acquired the 44 claim unit Amp Lake Gold/Base Metal Property. Consideration for acquisition of the property consists of a cash payment of \$10,000. A 2-per-cent net smelter return is retained by the optionor, of which 1 per cent may be purchased by the company at any time for \$1-million, with the remaining 1 per cent being subject to a right of first refusal. Sufficient exploration expenditures must be incurred to maintain the property in good standing.

In addition on February 15, 2006 the Company optioned, in partnership with East West Resource Corp., the 9 claim unit Copper Island Copper Property, south of our Shebandowan-Vanguard Property. Consideration for acquisition of the property consists of option payments totalling \$67,000 cash, in stages over a five-year period and 100,000 common shares of each company. A 2-per-cent net smelter return is retained by the optionor, of which 1 per cent may be purchased by the company at any time for \$1-million with the remaining 1 per cent being subject to a right of first refusal. Sufficient exploration expenditures must be incurred to maintain the property in good standing.

Exploration, mostly in the form of diamond drilling, was carried out on our West Porcupine and Norton Lake Properties, by our joint venture partners.

The Company wrote off one property, the Tilly Lake Property, for \$29,650 in 2006 (\$19,307 property write-offs in 2005).

In May of 2005 the Company received final approval of the ExtrEL Technology acquisition from Enpar Technologies Inc. ("Enpar") by the TSX Venture Exchange. Dragon has the right to acquire a 70-per-cent interest in Enpar's patented electrochemical metal-leaching technology ("ExtrEL") by payment of 333,333 common shares of the Company (completed) and funding \$50,000 in research and development in a phase 1 program (\$25,000 funded). The full 70% ownership would follow the payment of \$50,000 and funding a further \$50,000 in research and development, in a phase 2 program. The Company is seeking repayment of payment made to Enpar under the agreement which includes 333,333 common shares of the Company and \$25,000 plus gst advanced to date and has written off the investment of \$75,000.

During the fiscal year ended April 30, 2005, the Company engaged the Equicom Group Inc. in an investor relations contract. Equicom was paid a monthly retainer fee of \$3,000 and was be granted 200,000 total options over a period of 18 months to purchase common shares of CGG for an exercise price of \$0.15. The contract is currently maintained but as Equicom is not actively promoting the Company, payments have been suspended by mutual agreement. Once an active program is resumed the payments will be resumed. Investor relations duties are also carried out by directors, officers, and employees of the Company. Travel and public relations costs for the year-end April 30, 2006 were \$17,968 (\$31,492 in 2005) representing costs associated with attending the PDA trade show in Toronto, travel to Thunder Bay and the Equicom contract.

The market for junior mining companies has continued to improve over the past year. Commodity prices in the metals we are pursuing remain attractive and the super flow-through program makes investment in mining companies more attractive. The Company has used this opportunity to strengthen its balance sheet, but will continue its strategy of joint venturing properties and judiciously raising funds for specific projects, until such time as management feels the value of the Company is more accurately reflected in the share price.

Selected Annual Information

All currency amounts are stated in Canadian dollars.

The following table summarizes selected financial data for the Company for each of the three most recently completed financial years. The information set forth below should be read in conjunction with the consolidated audited financial statements, prepared in accordance with Canadian generally accepted accounting principles and related notes.

	Years Ended April 30,		
	2006	2005	2004
Net revenues	Nil	Nil	Nil
Loss for the year	(412,128)	(384,415)	(515,107)
Loss per share	(0.01)	(0.01)	(0.02)
Total assets	2,610,758	1,808,542	1,501,705
Long term liabilities	Nil	Nil	Nil
Dividends	Nil	Nil	Nil

The company's loss from continuing operations over the past three years results from general administration expenses and exploration costs on mineral properties.

Summary of Quarterly Results

Net loss by quarter

	Q1	Q2	Q3	Q4	Total
	\$	\$	\$	\$	\$
2005	(118,159)	(53,464)	(51,288)	(161,504)	(384,415)
2006	(40,017)	(52,706)	(211,606)	(107,799)	(412,128)

As the Company is still in the exploration and development stage, variances in its quarterly losses are not affected by sales or production-related factors. Year over year increased costs are generally attributed to successful financing activities which result in the Company being able to conduct more exploration, which results in additional overhead costs to maintain. Overall the savings in administrative overhead was offset by the higher stock-based compensation and increased write-offs for properties and technology.

Capital Resources and Liquidity

The Company's financial resources improved during the year ended April 30, 2006 with \$1,134,990 being raised by the issuance of 11,723,333 shares, compared to \$599,750 raised in 2005 by the issue of 4,578,571 shares. In addition zero common shares (50,000 in 2005) were issued pursuant to the exercise of share purchase warrants for gross proceeds of zero (\$7,500 in 2005). Zero common shares (zero in 2005) were issued pursuant to the exercise of stock options for gross proceeds of zero (zero in 2005). The only other source of cash flow was from option payments of zero (\$50,000 in 2005). This resulted in working capital of \$340,281 (deficiency of \$196,366 in 2005) at year end.

The Company has adequate financial resources to conduct its activities for the balance of the year and currently does not anticipate difficulties in raising additional funding if needed. The Company's outstanding stock options of 5,300,000 and warrants of 15,026,904 outstanding that are currently "not in the money", are potentially exercisable to generate approximately \$2,085,000 in additional funding.

There is however, no assurance that any future funding can be accomplished as it would be wholly dependent on the state of the capital markets for junior exploration companies. The Company does not anticipate the payment of dividends in the future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Related Party Transactions

Details of these related party transactions, including the purpose and recorded amounts of the transactions are identified in Note 7 to the Financial Statements.

Changes in Accounting Policy

The Company adopted in 2003 the transitional provisions of Canadian Institute of Chartered Accountants' Handbook Section 3870 on stock-based compensation on a prospective basis. The Company accounts for the derived value of stock-based compensation to all employees and consultants.

Financial and Other Instruments

The Company's financial assets and liabilities consist of cash, short-term investments, receivables, accounts payable and accrued liabilities, some of which are denominated either in Canadian dollars or US dollars. These accounts are recorded at their fair market value.

Outstanding Share Data

The Company has one class of common shares: as at April 30, 2006, there were 47,054,565 common shares outstanding.

The Company has a stock option plan: As at April 30, 2006, there were 5,300,000 stock options outstanding.

The Company has outstanding as at April 30, 2006 of 15,026,904 warrants.

Risk and Uncertainties

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking, which statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

The Company is a mineral exploration and development company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this report.

The Company's financial success is subject to general market conditions which affect mining and exploration companies. The value of the Company's mineral resources and future operating profit and loss is affected by fluctuations in gold prices, over which the Company has no control, although it may choose to hedge some of its future production. Because of its limited operating record and history of losses, it may not be able to hedge future risk to the extent it feels is warranted. The Company also competes with other mining companies which are larger and have more economic resources to acquire prospective exploration properties or producing mines.

The Company also faces certain risks and uncertainties specific to its circumstances. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured; nor is there assurance that the expenditure of funds will result in the discover of an economic mineral deposit. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined. While the Company has used its best efforts to endure title to all its properties and secured access to surface rights, these titles or rights may be disputed.

Subsequent Events

The Company's private placement announced in its news release dated May 15, 2006 was accepted for filing by the TSX Venture Exchange on June 12, 2006. In accordance with the provisions of the Subscription Agreements, on June 13, 2006 the Company issued a total of 714,286 *Flow-Through* Units (the "FT Units") at a price of \$0.175 per FT Share for gross proceeds of \$125,000, each FT Unit consisting of one *flow-through* common share and one share purchase warrant, each warrant entitling the holder thereof to purchase one additional non flow-through common share, exercisable for a period of two years from the date of issuance at a price of \$0.20 per share from June 13, 2006 until June 12, 2007, and thereafter at a price of \$0.25 per share until June 12, 2008.